

VERMONT PENSION INVESTMENT COMMITTEE
August 27, 2013

VPIC Members Present:

STEPHEN RAUH, CHAIR

BETH PEARCE, VICE-CHAIR, Vermont State Treasurer

ROBERT HOOPER, VSERS Representative, term expiring June 30, 2016

JOSEPH MACKEY, VSTRS Representative, term expiring June 30, 2015

STEVEN JEFFREY, VMERS Representative, term expiring June 30, 2014

DICK JOHANNESSEN, Governor's Delegate, term expiring June 30, 2014

VAUGHN ALTEMUS, Governor's Delegate, term expiring June 30, 2014

VPIC Member(s) Absent:

None

VPIC Alternate Members Present:

KAREN PAUL, *Alternate* Governor's Delegate, term expiring June 30, 2016 – via telephone

KEVIN GAFFNEY, VSERS *Alternate*, term expiring June 30, 2016

THOMAS GOLONKA, VMERS *Alternate*, term expiring June 30, 2016

LINDA DELIDUKA, VSTRS *Alternate*, term expiring June 30, 2017

VPIC Alternate Member(s) Absent:

None

Also attending:

Stephen Wisloski, Vermont State Deputy Treasurer

Matt Considine, CFA, Director of Investments

Katie Green, Investments Manager

Jaye Pershing-Johnson and Bill Griffin, Attorney General's Office

Richard M. Charlton, Chris Levell, Sean Ruhmann and Richard Pszenny, NEPC LLC

Monica Chiren, Clerk

CALL TO ORDER:

The Chair, Mr. Rauh, called the Tuesday, August 27, 2013 meeting to order at 8:30 a.m., which was held in the 4th Floor Conference Room, 109 State Street, Montpelier, VT.

ITEM 1: **Agenda Approval, Announcements, Minutes of July 23, 2013 Regular Meeting**

The Chair, Mr. Rauh, briefly reviewed the agenda and indicated in response to Ms. Pearce's request the discussion and approval of the Municipal Guidelines and BERS Contract would be moved to the afternoon session. The agenda was approved as amended. There were no announcements.

On a motion by Mr. Altemus, seconded by Mr. Johannesen, the Committee unanimously approved the minutes of the July 23, 2013, Regular Meeting, as submitted.

ITEM 2: Director of Investments Report and Action Items

- **Contract Updates, Amendments and Renewals**
- **Discuss/Approve Guggenheim Guidelines**
- **Staff Review of VPIC Policy Guidelines**
- **Review June Flash Report**

Mr. Considine indicated as of July 31, 2013 the total VPIC assets under management were \$3.73 billion. Mr. Considine indicated as of August 31st the VPIC's portfolio allocation is projected to be 35.2% equities, 31.7% fixed income, 13.8% alternatives and 19.3% multi-strategy, compared to target allocations of 31.5%, 33%, 15.5% and 20% respectively.

Mr. Considine indicated staff had an opportunity to meet with Schrodgers to discuss the organization, process and market outlook and discussed the outcome of that communication with the Committee.

(Mr. Gaffney entered the meeting during this agenda item.)

Mr. Considine reviewed with the Committee the Up/Down portfolio analysis. There was a discussion concerning active management and actual performance. Mr. Considine reviewed with the Committee members VPIC's relative performance charts. Mr. Considine responded to the questions posed by the Committee members.

Mr. Considine reviewed with the Committee the quarterly attribution report and responded to the questions posed by the Committee members.

Mr. Considine indicated to the Committee members the final version of the attendance and conference report was provided in the packet and that is the document that was submitted to legislature.

Ms. Green reviewed with the Committee the investment restrictions relative to tobacco, Burma and the MacBride guidelines. Ms. Green reviewed with the Committee what other states were doing relative to these investments. It was the consensus of the Committee staff would conduct further research and then report back to the Committee at the September meeting relative to this item.

Mr. Considine, Ms. Green and Ms. Pershing-Johnson reviewed with the Committee the proposed Guggenheim investment guidelines. Mr. Considine indicated one suggestion he would have would be to include language that if there is a downgrade below a certain amount they would notify staff. Ms. Pershing-Johnson indicated the three suggestions

she had were no securities lending, no cap on claims, and a performance holiday of 60 days.

On a motion by Ms. Pearce, seconded by Mr. Jeffrey, the Committee unanimously approved the Guggenheim guidelines as suggested by staff with the additional changes of: notification to staff if there is a downgrade, the representation there is no securities lending, the recommendation of no cap on claims and the performance holiday of 60 days.

It was indicated staff would report back to the Committee at the September meeting on the logistics of the Post and Guggenheim transition.

Ms. Pershing-Johnson indicated there were no other contract updates.

ITEM 3: Discussion Items/Updates

- **Vermont State Treasurer's Update**
- **VPIC Investment Policy Statement Project Update**
- **NEPC Investment Manager Watch List: Post Advisory, Wellington EMD**

Ms. Pearce welcomed Ms. Deliduka as an alternate member to the VPIC Committee. Ms. Pearce briefly discussed the recent changes to GASB with the Committee. Ms. Pearce indicated the salary of the Chair of VPIC was set by statute and that there needed to be a motion to increase the salary.

On a motion by Mr. Altemus, seconded by Mr. Mackey, the Committee unanimously agreed to increase the salary of the Chair of VPIC to \$30,630.00.

Mr. Levell briefly reviewed with the Committee the July Flash Report and indicated any further questions would be addressed during the quarterly review.

Ms. Pershing-Johnson reviewed with the Committee the Investment Policy Statement. Mr. Rauh indicated there was still a lot of work that needed to be done on this item.

Mr. Levell indicated there are two managers on the Watch List, Post Advisory and Wellington EMD. Mr. Levell indicated there was no new information relative to Wellington, EMD.

ITEM 4: Education Policy Procedure

The Committee discussed the Education Policy. It was indicated this item would be discussed further in the fall.

ITEM 5: Q2/FY Portfolio and Investment Manager Performance Review

NEPC reviewed with the Committee the *Investment Performance Analysis* document. NEPC reviewed the VPIC Composite in detail. NEPC responded to the questions as posed by the Committee members.

(Mr. Griffin left the meeting during this agenda item.)

(Mr. Ruhmann arrived during this agenda item.)

(A luncheon recess was taken from 12:05 p.m. to 12:45 p.m.)

(Mr. Charlton and Mr. Wisloski were not present at this time.)

ITEM 5: Asset Allocation Work Plan – Real Estate

Mr. Ruhmann reviewed with the Committee the *Real Estate Allocation and Pacing Discussion* document. NEPC discussed the options that were available to VPIC to implement the increase in the real estate allocation. The Committee discussed the options in detail.

(Mr. Wisloski entered during this agenda item.)

On a motion by Mr. Mackey, seconded by Mr. Jeffrey, the Committee unanimously agreed to authorize NEPC to conduct a public real estate search.

It was indicated NEPC would report back to the VPIC Committee in November relative to their public real estate search.

ITEM 6: Director of Investments Report and Action Items – Cont'd

- **Discuss/Approve Revised Municipal Guidelines and BERS Contract**

Ms. Pearce provided the Committee the background information on the BERS Contract. Ms. Pearce indicated the current Municipal Guidelines will suffice.

On a motion by Ms. Pearce, seconded by Mr. Jeffrey, the Committee agreed to authorize staff to extend the contract for up to five years with BERS, update the cost allocation and negotiate terms that are mutually agreeable to VPIC and BERS. Mr. Hooper abstained from the vote. The motion carried.

ITEM 7: Economic and Financial Market Dashboard

Mr. Considine reviewed with the Committee the economic and financial market dashboard. The Committee discussed the positive and negative factors on the economic and financial market dashboard.

ITEM 8: Public Comment/New or Other Business

None.

ITEM 9: Adjournment

On a motion by Mr. Hooper, seconded by Ms. Pearce, the Committee unanimously agreed to adjourn the meeting at 2:23 p.m.

Respectfully submitted,

Monica Chiren, Clerk